

**Assembly Bill 1391 (Leno)**  
**Campaign and Economic Interest Disclosure: Use of Campaign Funds**  
**Version: Amended August 18, 2005**  
**Status: In Senate Elections**

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**Summary**

Section 2 of this bill would require that any general purpose committee determine, for registration and reporting requirements, whether it is a state, county, or city general purpose committee based on where the committee makes a majority of its contributions and independent expenditures.

Section 3 of this bill would make a non-substantive change to the definition of “sponsored committee.” This non-substantive amendment to 82048.7 can be deleted from this bill as it was addressed during last year’s legislative session in AB 1755 and passed (Chapter 200).

Section 1 and 4 are recent amendments to the bill by the author. Section 1 of this bill would increase the number of reporting categories on a Statement of Economic Interests (SEI) to require the disclosure of income over \$100,000 in newly specified increments.

Section 4 of this bill would prohibit the use of campaign funds to lease real property, or purchase, lease or refurbish equipment when legal title to the property or equipment is held by an entity in which a candidate or other individual with authority to approve the campaign expenditure holds a ten percent or greater interest.

**Recommendation**

Staff recommends the Commission continue to **sponsor** section 2 of this bill. The Commission sponsored section 3 was addressed in AB 1755 and can be deleted from this bill. Staff recommends the Commission adopt a position of **support** concerning the author's two amendments to the bill, sections 1 and 4.

**Background**

The FPPC originally sponsored this legislation to more clearly define what constitutes a state, county, or city general purpose committee. Our purpose in seeking this clarification was to respond to repeated inquiries regarding the filing status of committees that participate in elections at the local and state levels.

The author, in the August 18, 2005, version of this measure, incorporated two additional provisions that were not within the original scope of the Commission’s objective. The first amendment would add additional monetary thresholds for reporting income on the SEI. The second amendment expands existing provisions of the Political Reform Act that prohibit the use of campaign funds to lease real property, or purchase, lease or refurbish equipment to include property and equipment when legal title to the property or equipment is held by an entity in which a candidate or other individual with authority to approve the campaign expenditure holds a ten percent or greater interest.

### Analysis

In defining the different types of general purpose committees, the bill seeks to accomplish the Commission's original purpose in sponsoring the bill. A technical change is recommended to the proposed definition of "state general purpose committee" on page 5, at line 14. It would be preferable for the word "one" to be changed to "either" or "one or more" since many committees will qualify as both (1) not being a county or city general purpose committee; and (2) making expenditures to support or oppose candidates or measures. As currently written, the language of the bill could be interpreted to say that a committee meeting both conditions would not qualify as a state general purpose committee.

Section 1 of the bill would change the monetary threshold reporting requirements on the SEI. (See the following box for a comparison of the current and proposed reporting requirements.)

Required disclosure categories for reporting income on a Form 700 / SEI	
Current Categories	Proposed Categories
\$500 to \$1,000	\$500 to \$1,000
\$1,001 to \$10,000	\$1,001 to \$10,000
\$10,001 to \$100,000	\$10,001 to \$100,000
Over \$100,000	\$100,001 to \$250,000
	\$250,001 to \$500,000
	\$500,001 to \$1,000,000
	\$1,000,001 to 2,000,000
	Over 2,000,000

The proposed increase in SEI income disclosure categories undoubtedly furthers one of the fundamental purposes of the Political Reform Act that the "[a]ssets and income of public officials...should be disclosed..." (Gov. Code §81002, subd. (c).)

The second amendment relates to the use of campaign funds for leasing or purchasing real property or equipment that is partially owned by the candidate or other specified persons. Existing provisions of the Act prohibit the use of campaign funds to pay or reimburse for the lease or purchase of real property, or for the refurbishment of any appliance or equipment that is leased or owned by a candidate, elected officer, campaign treasurer, or any individual or individuals with authority to approve the expenditure of campaign funds, or member of his or her immediate family. This bill would expand on this prohibition to include property where the legal title resides in whole or in part in any person in which an interest of ten percent or more is held by a candidate, elected officer, campaign treasurer, or any individual or individuals with authority to approve the expenditure of campaign funds, or member of his or her immediate family.

This amendment serves to strengthen the current prohibition which applies to some individuals, but not others, simply because they avail themselves of the common business practice of holding title to real and personal property through corporations or other such business entities, rather than holding title personally. This may increase the burden on some candidates and campaign officials with far-flung investment interests to ensure that property leased by one of their committees is not owned in whole or in part by an entity in which they hold a 10% or greater

interest. The ban would promote the purpose underlying the current statute that corruption and the appearance of corruption, in the form of personal financial gain from the expenditure of campaign funds, is something that should be avoided.

Staff recommends a technical change on page 6, at line 35. The language currently reads "...in which an interest of 10 percent or more..." Staff recommends inserting the word "ownership" to clarify the language so that it reads, "...in which an ownership interest of 10 percent or more..."

**Fiscal Impact**

The Commission is unlikely to incur more than nominal costs if this bill were to become law.